

Memorandum

TO: TRANSPORTATION AND
ENVIRONMENT COMMITTEE

FROM: Kerrie Romanow

SUBJECT: PLANT MASTER PLAN ADOPTION **DATE:** September 30, 2013

Approved



Date

9/30/13

RECOMMENDATION

1. Recommend to the City Council adoption of the Plant Master Plan for the San José-Santa Clara Regional Wastewater Facility with modifications to the Land Use Component consistent with staff recommendations.
2. Recommend that this report be placed on the November 19, 2013 Council Agenda.

OUTCOME

Adoption of the staff-recommended land use scenario would replace the April 19, 2011 Preferred Alternative land use component for the Plant Master Plan (Plan) with a land use component that would maximize environmental features while still retaining the same economic development opportunity. Adoption of the Plant Master Plan would allow staff to begin critical infrastructure improvement at the San José-Santa Clara Regional Wastewater Facility.

EXECUTIVE SUMMARY

The City has engaged in a three-year process between the years 2007 and 2010 to develop the Plan. This extensive process involved community and stakeholder input and technical analysis and review. The primary purpose of the Plan is to ensure San José-Santa Clara Regional Wastewater Facility (Facility), formally known as the San Jose/Santa Clara Water Pollution Control Plant, continues to protect the public health and the environment, to support the region's economy, and to create a new vision for San José's South Bay shoreline.

The Plan has two components:

- **Technical Component:** The technical component provides a roadmap for replacing the Facility's aging facilities and infrastructure, and consists of process changes and long-range capital projects that will enable the Facility to meet future regulatory requirements and population demands using sustainable, energy-efficient, and cost-effective solutions. The capital projects include odor control projects and a major change in the treatment and disposition of biosolids. The proposed new process would phase out the current need for over 500 acres of open air lagoons and drying beds over the next 15 years. The new

process of enclosing the treatment and use of mechanical dewatering would shrink the Facility's operational footprint, and reduce odors enabling potential new land uses along the South San Francisco Bay shoreline.

- **Land Use Component (Project):** The land use component proposes a mix of new land uses on the Facility bufferlands and current biosolids processing area that include: economic development with a focus on Clean Tech and job creation; recreational uses including trails and parks; enhancement of upland habitats; and restoration of habitats. The focus of the extensive community stakeholder process was on a balanced plan that would meet broad and important community goals like job and revenue generation, improve Facility operations, and promote environmental stewardship.

Pursuant to the California Environmental Quality Act (CEQA), a draft Environmental Impact Report (DEIR) was prepared and circulated in early 2013. The DEIR identified that the Plan could have environmental impacts in areas such as transportation, noise, air quality, biological resources, hydrology, hazard and hazardous materials, water quality, aesthetics and cultural resources. The DEIR, along with the 1st Amendment of the DEIR (collectively, the Final EIR), is scheduled for hearing by the Planning Commission on October 30, 2013 for consideration of certification. The Council must first consider the Final EIR before taking action on the proposed Plan.

The DEIR evaluated reasonable alternatives to the April 19, 2011 Preferred Alternative to either avoid or significantly reduce the environmental impact of the project. The DEIR examined five alternatives, including a No-Project Alternative. The other four alternatives consisted of several combinations of increased open space and reduced footprint of economic development, with jobs ranging from 6,700 to 15,400.

In response to the comments on the DEIR received from various resource agencies and the public, ESD staff evaluated several options that would go farther in addressing the concerns expressed. With input from the Office of Economic Development and the City Manager's office, staff is recommending that Alternative 4: the Eastern Open Space Compressed Development Plan be adopted, with minor modifications, as the new Land Use Component of the Plan. This alternative proposes a land use scenario with a smaller development footprint but virtually the same number of jobs compared to the April 19, 2011 Preferred Alternative. Economic development would be located along Highway 237 to promote visibility and viability. The proposed new land use scenario would also meet the goals of the Plan, such as job creation and habitat preservation. The details of Alternative 4 and its environmental impacts are described in section 7.3.4 of the DEIR. The Draft EIR is available online at <http://www.sanjoseca.gov/DocumentCenter/View/10967>.

If approved by the Council, the proposed land use scenario recommended by staff would replace the Land Use Component currently described in the Plan. Staff is not proposing any changes to the Technical Component of the Plan. The Plan summary report is available online at <http://environment.sanjoseca.gov/DocumentCenter/View/5604>.

BACKGROUND

The Facility serves approximately 1.4 million residents in the cities of San José, Santa Clara, Milpitas, Cupertino, Campbell, Los Gatos, Monte Sereno, and Saratoga. While the Facility has successfully served the community for 57 years, aging pipes, pumps, concrete, and electrical systems need immediate and long-range attention in order to continue those successful operations well into the future.

On March 27, 2007, the Council accepted staff's report analyzing the infrastructure, planning, and financing needs of the City's wastewater treatment facilities and provided direction to staff to proceed with the development of a Plan for the Facility. In November 2007, Council approved a contract with Carollo Engineers to develop a Plan that would address the operational needs of the Facility and potential development of the surrounding bufferlands through 2040.

The Plan project team was guided by the Plant Master Plan Steering Committee, made up of staff from the Facility's two co-owning cities (San José and Santa Clara) and from the tributary agencies served by the Facility. The project team also provided quarterly updates to the Treatment Plant Advisory Committee (TPAC), and the San José's Transportation and Environment Council Committee (T&E) to solicit policy guidance from interested stakeholders throughout the process..

The following goals for the Plan were developed based on the principles of sustainability:

- Operational: To have a Facility that is both reliable and can respond to changing conditions;
- Economical: To have a Plan that would maximize the economic benefits for ratepayers through cost-effective options;
- Environmental: To have a Plan that would improve the habitat in the bufferlands, and to minimize potential impacts to the local and global environment; and
- Social: To have a Plan that would maximize community benefits through improved aesthetics and recreational uses.

During the three-year Plan process, staff, with the assistance of Carollo Engineers, developed a set of technical components for the Plan, and three land use components. Through an extensive public input process, one of the land use alternatives was selected, and recommended to the Council as a "Preferred Alternative".

Staff developed the Preferred Alternative with extensive technical oversight, agency feedback, and public and stakeholder input. In addition, staff addressed comments from the Facility's tributary partners, and considered the Milpitas Guiding Principles for Plant Master Plan Reconstruction and Land Use Alternatives.

A critical component of the planning process included participation and input from stakeholders and the larger community on possible new land uses and proposed Facility improvements. The public input occurred through ongoing input from the Community Advisory Group (CAG), and at the following times for certain subject matters:

1. May to November 2009: input was collected on community values for the Facility lands, and this input was used to develop three land use alternatives.
2. May to November 2010: input was collected on three land use alternatives. The input was used to refine the Preferred Alternative.
3. November 2010 to January 2011: Community input was collected to further refine the "Preferred Alternative" recommended to the Council in April 2011.

In April of 2011, the City Council selected the Preferred Technical and Land Use Components for the Plan, and directed staff to proceed with the Environmental Impact Report (EIR) pursuant to the California Environmental Quality Act (CEQA) for the draft Plan.

The memorandum is available online at:

http://www3.sanjoseca.gov/clerk/Agenda/20110419/20110419_0704.pdf

The Draft EIR was circulated for public review for 61 days from January 11 to March 13, 2013. It is anticipated that the Final EIR will be presented at the Planning Commission hearing on October 30, 2013, for consideration of certification, pursuant to the CEQA process. The memorandum to the Planning Commission and the City Council discussing the Final EIR will be submitted under separate cover by the Planning Department.

ANALYSIS

The Land Use Component of the Preferred Alternative contained in the draft Plan includes proposed new uses for the lands not already reserved for wastewater treatment or Facility buffer, including commercial, retail, and light industrial development; creating and/or restoring habitat and natural corridors to support wildlife; and, a regional community park and trails to connect the Bay Trail and meet future recreational demand.

Staff now recommends Alternative 4 with certain modifications.

Alternative 4 (Modified)

The DEIR identified four land use alternatives to the "Preferred Alternative" selected in April 2011. The Alternative 4 - Eastern Open Space Compressed Development Plan would eliminate the Dixon-landing Road connection, and would limit economic development to the land south of the Facility operational area fronting Highway 237. Staff recommends the following minor modification to Alternative 4:

Increase Light Industrial use by replacing the Institute, Combined Industrial/Commercial, and Retail uses with more acreage for Light Industrial use, since this is one of the most highly desired job-types in the region.

Alternative 4 as modified represents a strategic opportunity to increase much needed jobs and advance the City's environmental goals. The modified Alternative 4 would allocate approximately 1,155 acres of land for habitat and roughly 15% of that acreage or roughly 160

acres of land for economic development. It is anticipated that through adjustment to the job mix, the development would still generate approximately the same number of jobs as the "Preferred Alternative" while minimizing the footprint of the development by over 50 percent. Due to the concentration of development in North San José, maintaining economic development along Highway 237 is highly desirable to certain industries because that location offers maximum visibility and accessibility to the existing roadways.

A map comparing the modified Alternative 4 to the Preferred Alternative is provided as Attachment A. A summary of land use areas of these two plans is provided as Attachment B.

Reduced Footprint

A modified Alternative 4 would provide opportunity to preserve flexible space otherwise eliminated by the construction of the Dixon Landing Road extension that was proposed for the area east and north east of the Facility operational area. This area currently contains the Santa Clara Valley Water District's mitigation area and the adjacent Coyote Creek. Alternative 4 as modified would also reduce some construction-related dust, noise, and emissions relative to the Project, since the footprint of economic development is reduced by almost 50 percent. Under this alternative, some of the potential concerns raised in the DEIR should decrease relative to the Project, with the exception of potential transportation impacts due to the development.

Plant Master Plan Objectives

The modified Alternative 4 meets most of the objectives of the Plan, and partially meets the objectives of Transportation and Recreation. If economic development is limited to the area south of the Facility operational area, there would not be a need to construct a Dixon-Landing Road connection which would reduce environmental impact to the area east and northeast of the Facility operational area. Staff is also recommending that the Institute, a proposed partnership between industry and education, be removed to preserve more of the existing development footprint for jobs. Staff will explore other educational partnerships.

Environmental Uses

The modified Alternative 4 would preserve approximately 1,155 acres of the Facility's property for habitat restoration. Habitat restoration would be implemented in partnership with other entities such as the Santa Clara Valley Audubon Society, the Santa Clara Valley Habitat Conservation Plan (HCP), and the Santa Clara Valley Water District. The following habitat types would still be protected, created, or restored under the modified Alternative 4:

- *Burrowing Owl Habitat.* Approximately 180 acres of grassland habitat west of the Facility operational area would be protected and managed to support burrowing owls, a California species of special concern. Staff recommends analyzing the various options available to the Facility to provide for the long term maintenance and protection of these lands for burrowing owls including, but not limited to, incorporation of the lands into the Habitat Conservation Plan area, and/or to meet any mitigation requirements in future permits required to implement the Technical Component.

- *Riparian Habitat.* Approximately 200 acres of riparian habitat adjacent to the Flex space, including the habitat along Coyote Creek and a restored Artesian Slough corridor, would be provided.
- *Marsh / Mudflats.* Situated on the site in the location of the existing Pond A18, over 800 acres of salt marsh habitat and tidal areas adjacent to the Bay could be constructed to help provide flood protection and restore a transition from the salt marsh habitat through brackish to perched freshwater wetlands and upland grasslands. This habitat would also support special status species such as the clapper rail and salt marsh harvest mouse and provide large contiguous areas for these inhabitants.

Flood Protection

As part of the Plan, Environmental Services staff has been actively coordinating with the Army Corps of Engineers, the State Coastal Conservancy, and the Santa Clara Valley Water District on the South Bay Shoreline Study project to determine the appropriate alignment for Bayside levees to protect the Facility and Alviso from sea level rise and tidal flooding; and to ensure that lands in the staff recommended land use scenario are designated for future levee placement. It is also anticipated that the restoration of A18 will occur as part of the Shoreline Project.

Recreational Uses

A modified Alternative 4 provides recreational opportunities on land surrounding the Facility's operational area. These facilities could be developed in partnership with other agencies and entities, as appropriate funding for these projects become available. Proposed facilities include:

- *Trails.* 9 miles of new trails and connection to the Bay Trail.
- *Park.* A new 40-acre park with sports fields.
- *Habitat Areas.* Access to the Facility's Bay front for bird watching and hiking.

Phasing and Fiscal Information

The development of the Facility lands proposed under the Plan is contingent on market demand. In addition, future development and availability of land would be contingent on ensuring that the infrastructure improvements at the Facility can adequately mitigate the effect of potential odors on sensitive receptors and that development would not interfere with Facility operations.

Market conditions for industrial property have improved significantly since prior economic and fiscal analysis was undertaken in 2008; land values have increased in the area. Silicon Valley's technology and manufacturing industries are vital. Large campus sites are highly desirable and in short supply. The highway 237 corridor has been firmly established as a desired location for tech and manufacturing users. Staff anticipates that up to 15,000 jobs could be supported through the land use plan as proposed. Associated employee income would be directly infused into the local economy and additional jobs and income would be indirectly implemented from the local purchases of goods and services by the new business and employees.

At build-out estimated ground lease revenue is projected to be between \$10 million to \$12.5 million annually. It is estimated that an additional \$4 million to \$5.5 million will be generated annually from associated property tax, sales tax, utility users tax, franchise tax, amongst other

revenues. Substantial additional benefit would be derived from the City of Santa Clara, the County of Santa Clara, local school districts and the tributary agencies. .

The economic analysis using the IMPLAN economic assessment model for Santa Clara County showed that the total economic impact of this development, considering construction and permanent economic activity, is approximately \$16.5 billion – a substantial benefit to the region.

The staff recommended land use scenario is shown side-by-side with the original Preferred Alternative as a conceptual map in Attachment A. An Executive Summary of the Draft Plant Master Plan is provided as Attachment C.

EVALUATION AND FOLLOW-UP

The steps in the Draft Plant Master Plan adoption process include:

- ***First Amendment to the DEIR Circulation:*** The First Amendment to the DEIR will include response to comments received on the draft EIR and any revisions to the EIR text. The document is targeted for circulation no later than October 18, 2013 for the statutory 10-day public review period.
- ***Certification of the Final EIR.*** The Planning Commission public hearing to certify the Final EIR is tentatively scheduled for October 30, 2013. Prior to the Council's consideration of the adoption of the Plant Master Plan, an EIR resolution will be brought to Council to consider for adoption. This Council hearing is scheduled for November 19, 2013.
- ***Formal Approval of the Plant Master Plan:*** The Plant Master Plan is intended to guide both Plant infrastructure improvements and land use decisions for the next 30 years. Concurrent to the EIR adoption, the Planning Commission and Council will consider adoption of the Plant Master Plan.
- ***General Plan Amendment.*** The land use principles incorporated in the Plant Master Plan propose new uses in the lands surrounding the Facility, as well as new roads and trails. To implement these land use functions, the Envision 2040 General Plan need to be amended. The amendment proposal will be brought forward to the Planning Commission and the City Council, concurrent to the certification of the EIR and adoption of the Plan Master Plan at the hearing dates mentioned above.
- ***Formal Approval for the Santa Clara City Council:*** As a co-owner of the Facility, the Santa Clara City Council will also independently consider the Final EIR, and adoption of the Plant Master Plan, subsequent to San José City Council's final action. The date scheduled for this hearing is December 3, 2013. In addition, an informational memo about Plant Master Plan Adoption and the staff recommendation will be presented to the Santa Clara City Council on November 12, 2013.

POLICY ALTERNATIVES

Alternative #1: Adopt the Plant Master Plan with the "Preferred Alternative" selected by the Council in 2011

Pros: The Preferred Alternative selected in 2011 is the Project based on the collective input of the stakeholders during the Plant Master Plan development process.

Cons: While the Preferred Alternative attempts to balance all interests, proceeding with the land use component would reduce future open space and habitat areas.

Reason for not recommending: Decreases remaining flexible space for habitat, open space, job development, or Facility expansion beyond the planning window.

Alternative #2: Select from Alternatives 2, 3, or 5 that were analyzed in the DEIR.

Pros: Alternatives 2, 3, or 5 offer a range of options with varying levels of development vs. preservation of open space/habitat.

Cons: None of these alternatives would meet the goals of the Project to the fullest extent practicable as modified Alternative 4.

Reason for not recommending: Limits either the potential for economic development or reduces the amount of open space/habitat depending on the alternative.

Alternative #3: No Project.

Pros: Conditions at the site remain largely unchanged.

Cons: Facility reliability could be expected to decline. Odor control projects would not be implemented. New jobs would not be implemented and new habitat would not be created.

Reason for not recommending: The no project alternative does not address any of the Facility's aging infrastructure needs, the City's economic development goals, or formally designate any areas for open space or habitat conservation.

PUBLIC OUTREACH/INTEREST

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ✓ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The DEIR was circulated from January 13, 2013 through March 13, 2013, which included a statutory public review period of 45 days and a 15-day extended review period. The First Amendment of the DEIR will be circulated for a statutory public review period of 10 days. Public comments were accepted by the Planning Department during these public review periods.

During these opportunities for public input, approximately 50 comment letters were received from US and State Resource Agencies, non-profit and environmental organizations, the Tributary Agencies, neighboring cities, private property owners adjacent to the Facility and other interested individuals. Public concern focused on land use issues, noise, hydrology and flood control issues, biological resources issues, and technical issues related to the DEIR text. Staff refined the Land Use Component of the Draft Plant Master Plan based on these comments.

COORDINATION

This report has been coordinated with the City Attorney's Office, the Budget Office, Department of Planning, Building and Code Enforcement, and the Office of Economic Development.

FISCAL/POLICY ALIGNMENT

This recommendation is consistent with the goals and objectives of the Envision San José 2040 General Plan and addresses critical infrastructure investment.

CEQA

Not a Project, File No. PP10-069 (a), Staff Reports / Assessments / Annual Reports / Informational Memos that involve no approvals of any City Actions.

/s/

KERRIE ROMANOW

Director, Environmental Services

For questions, please contact René Eyerly, Manager, Sustainability and Compliance at (408) 975-2594.

Attachments:

Attachment A: Comparison of Staff Recommendation and Preferred Alternative Map

Attachment B: Comparison of Staff Recommendation and Preferred Alternative Project Details

Attachment C: Plant Master Plan Executive Summary